Leasing Firm Boosts Airbus Order

Adam Schreck, AP Business Writer

DUBAI, United Arab Emirates (AP) — Airbus on Monday fattened an order for its new A320neo jets and Boeing snagged another customer for the 787 at the Dubai Airshow as Mideast buyers showed they remain bullish despite the uncertain global economy.

The deals, which followed a record $18 billion airplane order from Dubai airline Emirates the day before, added ammunition to forecasts from the two major aircraft manufacturers that predicted the region will continue to generate hundreds of billions of dollars in demand for new planes for years to come.

European manufacturer Airbus predicted Monday that the Middle East will require some 1,920 new planes worth more than $347 billion through 2030. It estimates Mideast passenger numbers will grow 6.4 percent annually — well above the predicted world average increase of 4.8 percent.

Boeing thinks the potential market is even bigger. Its own forecast, released shortly after its rival's, puts Mideast demand at 2,520 planes worth $450 billion by the end of next decade.

Much of the growth is driven by fast-growing Gulf airlines, which have boomed in recent years by funneling long-haul travelers through expanding global hubs like Dubai and the Qatari capital Doha.

In terms of deals, Airbus scored the biggest prize of the day, boosting an existing commitment from Kuwait's Aviation Lease and Finance Co. for the A320neo to 50 planes. The leasing firm, known as ALAFCO, also took options to buy another 30 of the planes.

The deal extends an initial agreement signed by ALAFCO at this summer's Paris Le Bourget show, when it agreed to buy 30 of the narrow-body planes.

The A320neo offers a new engine option and other features designed to use 15 percent less fuel than older models of the single-aisle A320. It is scheduled to enter service in 2015.

The deal, before options, is worth about $4.6 billion at list prices, though buyers typically negotiate discounts.

Leasing companies like ALAFCO rent out planes to airlines, so the carriers don't have to assume the costs and risks of owning all the planes in their fleets. It leases planes mainly to regional airlines in the Middle East and Asia.

Boeing Co., meanwhile, picked up a new regional customer for its much-hyped 787.

It and Oman Air said the carrier ordered six Boeing 787-8 aircraft, though the twin-engine planes won't translate into additional business for the Chicago-based plane maker. That's because Oman Air is taking over orders previously placed by ALAFCO.

Each 787-8 costs $193.5 million at list prices.

ALAFCO Chairman Ahmed al-Zabin said the decision to shift the 787 orders to Oman Air represented an extension of the company's view that it is a "strategic partner" for Boeing in the region. It previously announced plans to lease the planes to the Omani carrier.

"Whatever is good for us and Boeing and the customer, we just do it, and that's what you're seeing," he said when asked about the Oman Air deal.

Japan's All Nippon Airways operated the first commercial flight of the 787 late last month following a series of manufacturing delays. The plane is made of lightweight composite materials and promises to be 20 percent more fuel-efficient than similar planes.

Long lines of curious spectators have lined up in Dubai to step aboard a 787 display model, which is making its debut at the Mideast airshow.

Oman Air is the flagship carrier of the Sultanate of Oman, located on the southeastern tip of the Arabian Peninsula. The airline, set up in 1993, is far smaller than Gulf behemoths such as Dubai's Emirates and Qatar Airways.

Qatar Airways is among the regional carriers that have already signed up for the Dreamliner. It has ordered 30 of the planes and has options for 30 more. The carrier is expected to announce additional aircraft orders at this week's show.

Its Dubai-based rival Emirates, the region's biggest carrier, on Sunday placed an unexpectedly large order for 50 more Boeing 777s, signaling it remains optimistic about its ambitious growth plans despite the shaky global economy.

Boeing said the deal, worth $18 billion at list prices, was its biggest-ever single order by value.

In an interview Monday, Emirates airline President Tim Clark said the carrier would have "no problem" filling those new planes and the nearly 190 other aircraft it has ordered. It helps that the latest batch of 777s won't begin to be delivered until 2015, giving the world economy time to recover.

"We've always been fairly bullish, and that is reflected in the size of the order and the value of the order. We've always taken a long-term view in regards to what is happening in the global economy. And we still take that view," Clark said.

Clark said Emirates needs the extra planes to keep up with passenger demand and cope with marathon flights that can last more than 14 hours, as it pursues its

strategy of linking far-flung cities through Dubai.

The carrier is increasingly focusing on emerging markets in Asia, Africa and Latin America, which Clark said older airlines have long shied away from. Over time, he expects bilateral ties between those regions to grow, producing even more business for carriers like Emirates.

At the same time, Clark said Emirates plans to expand its presence in Europe and the U.S. even further. The carrier already flies to Los Angeles, San Francisco, New York and Houston, and it recently announced plans to add service to Dallas and Seattle.

Other cities on Emirates' radar for possible future expansion are Chicago, Washington, Detroit and Atlanta, Clark said.

"There's more coming," he noted. "It's just a question of timing."

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